

Market Dominance or Market Distortion?

Market Dominance at 35,000 Feet - A Study of Indigo, Consumer Welfare, and Competition Law in India

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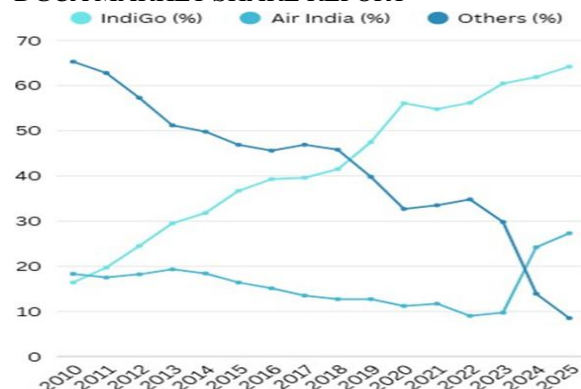
Abstract—Did you know that in 2010, the Indian aviation sector actually looked like a market with choices? At that time, IndiGo held only 16.4% of the domestic market. The real giants were Jet Airways (including JetLite) and Kingfisher Airlines, which together controlled 47.1% of the skies. They were followed by Air India at 18.3%, SpiceJet at 13.0%, and GoAir at 5.2%. The important point is simple: no single airline was powerful enough to act without fear of competition. If one airline raised prices or reduced service quality, passengers could easily shift to another.

Fast forward to 2025, and the picture changes completely. The earlier crowded sky now looks far emptier. IndiGo alone controls approximately 63.6% of the domestic aviation market. The remaining space is mostly occupied by the Air India Group (following its merger with Vistara) at 26.7%, while airlines like Akasa Air (4.7%) and SpiceJet (3.7%) survive on much smaller shares. Together, IndiGo and Air India control over 90% of the market. What was once a competitive race now feels more like a duopoly with limited room for rivals.

This paper examines whether IndiGo's growing market share and influence in India's domestic aviation sector constitute mere market dominance or a distortion of competition that harms consumer welfare under the Competition Act, 2002.

Index Terms—Market Dominance, Abuse of Dominance, Consumer Welfare, Market Concentration, Operational Crisis

DGCA MARKET SHARE REPORT



I. METHODOLOGY

This research employs a mixed-methods approach, integrating quantitative economic metrics with qualitative legal and doctrinal analysis to evaluate India's aviation competitive landscape.

1. QUANTITATIVE ANALYSIS: MARKET CONCENTRATION & PERFORMANCE

Herfindahl-Hirschman Index (HHI):

The primary tool used to measure market concentration by squaring the market share of each domestic airline. This identifies the sector's transition from "moderately concentrated" (2010) to "highly concentrated" (2025).

Operational Metrics:

Analysis of raw On-Time Performance (OTP) and cancellation data from the December 2025 crisis to correlate high market share with service quality decline.

2. QUALITATIVE LEGAL ANALYSIS: DOCTRINAL RESEARCH

Statutory Interpretation:

An examination of Section 4 of the Competition Act, 2002, distinguishing between lawful dominance and prohibited "abuse of dominance."

Regulatory Review:

Analysis of the Competition Commission of India (CCI) formal investigation (Dec 18, 2025) to identify exploitative behaviours such as inadequate contingency planning.

3. EMPIRICAL EVIDENCE: PRIMARY ACCOUNTS

Internal Governance:

Review of "Open Letters" and testimony from flight

and ground crews regarding aggressive cost-cutting.

Expert Interviews:

Contextualizing the impact of Flight Duty Time Limitation (FDTL) norms through insights from aviation veterans like Captain Sam Thomas.

4. SCOPE & LIMITATIONS

The study is restricted to the Indian domestic passenger market. International and cargo services are excluded to maintain a consistent "Relevant Market" definition as per CCI standards.

TOOLS USED

- DGCA eGCA Portal: For verified air traffic, market share, and safety statistics.
- CCI Advocacy Series: For guidelines on defining market dominance and abuse thresholds.
- Screener.in & Financial Databases: For tracking market capitalization and financial health of InterGlobe Aviation Ltd.

II. INTRODUCTION

IndiGo has emerged as the clear leader from a disruption. Its low-cost model, disciplined expansion and focus on operational reliability have made it the preferred choice for many passengers and a key driver of connectivity across India. At the same time, its growing market share, particularly on certain trunk routes and at congested airports, raises concerns that the balance may be tipping from vigorous competition toward a form of dominance that could harm consumer welfare.

This paper asks whether IndiGo's position today reflects competitive success within a healthy market, or whether it has crossed the line into a degree of market power that the Competition Act, 2002 is designed to scrutinise. It situates IndiGo's rise within the legal and economic framework governing dominance and abuse in India, examines how changes in market structure have affected fares, capacity and service quality, and considers what these developments imply for the role of the Competition Commission of India (CCI) along with the government in safeguarding competition and consumer welfare in the aviation sector.

COMPETITION ACT 2002

I address three questions:

1. Does IndiGo hold a dominant position in the relevant market within the meaning of Section 4 of the Competition Act, 2002?
2. If so, do its pricing, capacity, and network decisions amount to an abuse of that dominance?
3. What are the implications of IndiGo's conduct for consumer welfare in the short and long run?

Using market share trends, industry events (such as the exit of Jet Airways and Go First), and basic economic reasoning on fares, capacity and service quality, I argue that IndiGo's behaviour raises credible concerns of a shift from competitive dominance toward a fragile form of market power that can reduce consumer welfare, particularly in constrained routes and peak periods.

III. LEGAL AND ECONOMIC FRAMEWORK

The Competition Act, 2002 provides the primary framework for preserving fair competition in Indian markets and empowers the Competition Commission of India (CCI) to intervene when market behaviour harms consumers or the competitive process. In assessing the conduct of a firm like IndiGo, two questions become central:

Whether the firm holds a dominant position in a defined relevant market, and whether it has abused that position in a manner that distorts competition or harms consumer welfare.

Under the Act, dominance does not merely refer to a large market share; it denotes a "position of strength" that enables an enterprise to operate independently of competitive forces, or to affect competitors, consumers, or the relevant market in its favour. A dominant enterprise can, in practical terms, behave to a significant extent without having to consider the reactions of rivals or consumers, because its competitive constraints are weak.

Abuse of dominance is what the Act seeks to prevent. Section 4 prohibits the use of a dominant position in ways that unfairly distort competition or exploit consumers. This includes imposing unfair or discriminatory prices or conditions, engaging in predatory pricing, limiting production or technical development to the prejudice of consumers, or denying market access to other firms. The focus is not

on punishing size as such, but on curbing conduct that undermines the competitive process.

Economically, these concepts are linked to market power and consumer harm. A firm with significant power in a concentrated market such as the Indian aviation sector, where IndiGo reached approximately 64% market share by late 2025, may be able to reduce service quality or restrict output without losing customers due to a lack of effective alternatives. High market concentration (with an HHI index now reflecting a highly concentrated market compared to 2010), barriers to entry, and consumer dependence are key indicators of potential dominance under Section 19(4) of the Act.

In this context, the December 2025 operational crisis has intensified debates about whether IndiGo's position crosses the line into abuse. Following widespread cancellations linked to new Flight Duty Time Limitation (FDTL) norms, the CCI initiated a formal review on December 18, 2025, to investigate if the airline used its market clout to impose unfair conditions or exorbitant rebooking fares on stranded passengers who had few rivals to turn to the role of the Competition Act is to distinguish between outcomes driven by operational challenges and those that constitute a distortion of the competitive process. By applying the legal criteria of Section 4, the CCI will determine if IndiGo's position represents dominance earned through efficiency or conduct that justifies regulatory scrutiny and potential penalties of up to 10% of average turnover. (SECTION 27B

COMPETITION ACT)

COMPETITION ACT 2002

CCI ON ABUSE OF DOMINANCE

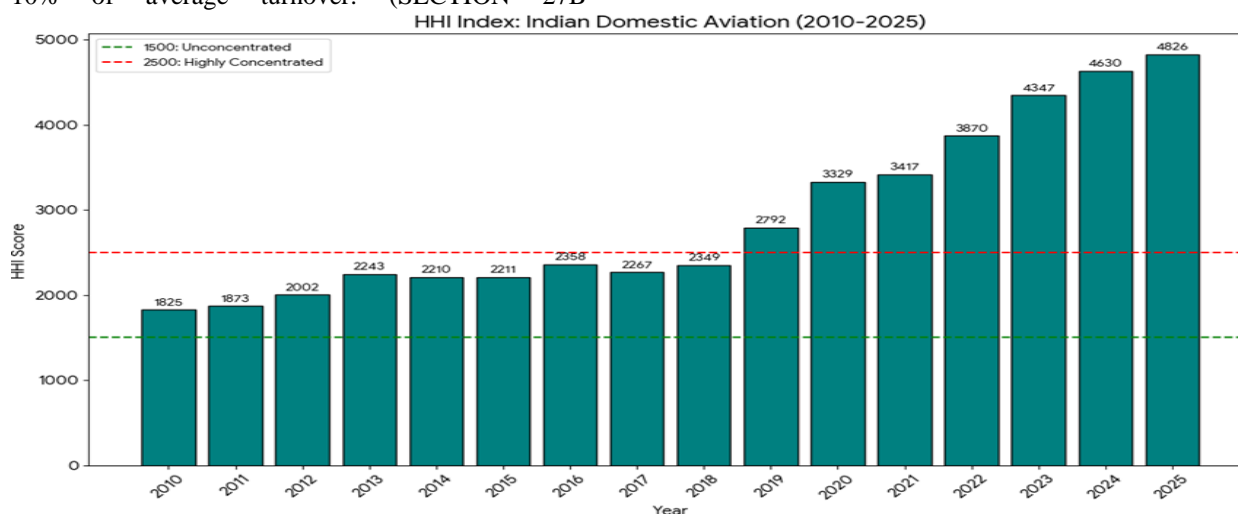
CCI INQUIRY

CASE ANALYSIS

IV. MARKET CONCENTRATION THROUGH HHI IN INDIAN AVIATION

Market concentration measures how much of the market is controlled by the largest firms. In the context of Indian aviation, it reflects how strongly a few airlines dominate domestic passenger traffic. A high level of concentration suggests that a small number of carriers can significantly influence prices, capacity, and service quality.

A standard quantitative tool to measure concentration is the Herfindahl–Hirschman Index (HHI). The HHI is calculated as the sum of the squares of each firm's market share (expressed as percentages). An industry with many small firms will have a low HHI, while an industry dominated by one or a few large firms will have a high HHI. Competition authorities, including those in other jurisdictions, often use HHI thresholds as a rough guide: values below about 1500 indicate an unconcentrated market, values between 1500 and 2500 indicate moderate concentration, and values above 2500 suggest a highly concentrated market.



DGCA MARKET SHARE REPORT
AVIATION1.xlsx



The rise in the HHI from 1825 to 4826 indicates that the Indian aviation market has moved from a competitive structure to a highly concentrated one. While the market does not constitute a monopoly, the data clearly confirms the existence of a duopoly, with IndiGo and the Air India Group together dominating domestic air traffic. This level of concentration significantly weakens competitive pressure and strengthens the market power of the two leading airlines.

DUOPOLY OF INDIAN AVIATION

V. ECONOMIC CONSEQUENCES OF CONCENTRATION

High market concentration in the aviation sector leads to several serious economic consequences, many of which became clearly visible during recent operational disruptions. One of the most immediate effects is the sharp reduction in consumer choice. In a market dominated by a duopoly, passengers have very limited alternatives, particularly when large scale cancellations occur. This lack of choice weakens consumer bargaining power and forces travellers to accept higher prices or compromised service quality. As available capacity shrinks, airfares rise sharply, creating significant price volatility.

Dominant airlines can increase fares with minimal competitive pressure, as rival carriers lack the ability

to absorb excess demand. This is exactly what IndiGo did. Market concentration also reduces incentives to maintain high operational standards, allowing inefficiencies in staffing, scheduling, and customer service to persist.

Beyond passengers, such crises have financial consequences. Operational failures often trigger sudden declines in share prices, reflecting investor concerns over management efficiency and regulatory scrutiny. These losses affect not only large investors but also common individuals whose savings are linked to mutual funds, pension funds, or retirement portfolios that hold airline stocks.

During the peak of disruptions in early December 2025, shares of InterGlobe Aviation, the parent company of Indigo, fell significantly, erasing large chunks of its market value. At one point in the fallout, the stock price slid from its 52-week high of around ₹6,225 to approximately ₹4,847 within days, resulting in a loss of over ₹53,000 crore in market capitalisation and wiping out substantial investor wealth.

“The stock market punished IndiGo, knocking \$4.8 billion off its value. Then, the government piled on. “No airline, however large, will be permitted to cause such hardship to passengers through planning failures,” the minister for civil aviation, K. Ram Mohan Naidu, said in Parliament on Monday.”



Market dominance further increases systemic risk, as failures within a single airline quickly spread across the entire aviation network, disrupting airports and connecting routes. Together, these effects show how excessive concentration converts internal airline failures into widespread economic costs, harming consumers, investors, and overall market stability.

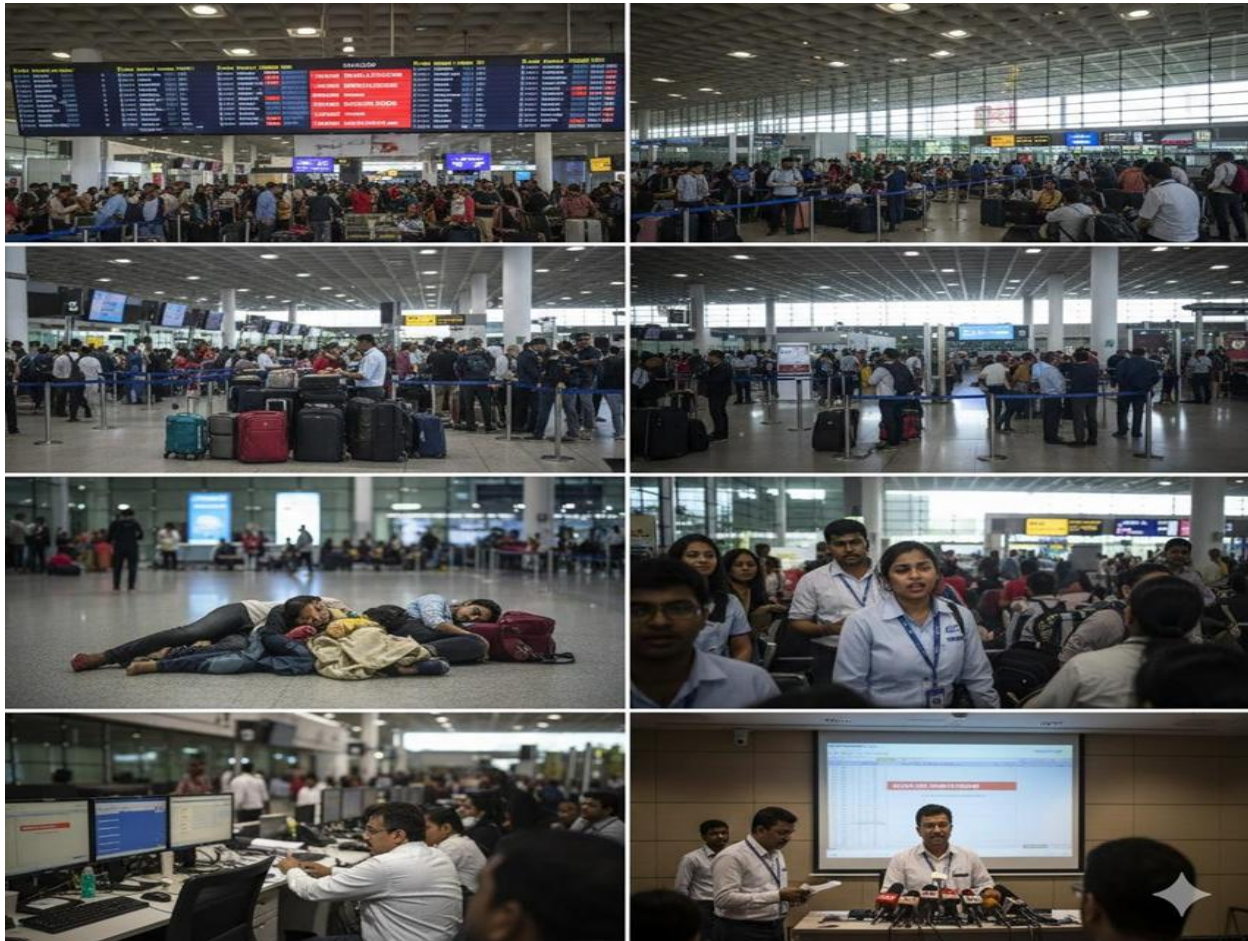
VI. OPERATIONAL CRISIS: INDIGO'S MARKET POSITION AND DOMINANCE (CRISIS BEHAVIOUR AND CONSUMER WELFARE)

The Indian airline Indigo experienced one of the worst operational meltdowns in its history in early December 2025, with disruptions peaking on December 5 when it cancelled over 1,000 flights in a single day across major domestic routes. On that day alone, the airline's on-time performance collapsed to as low as 8.5 percent, down from typical industry norms above 80 percent, leaving thousands of passengers stranded at major airports including Delhi, Mumbai, Bengaluru, and Hyderabad. For consumers, an operational crisis

at IndiGo translates into missed connections, longer travel times, and a reduction in the effective capacity available at short notice. Given IndiGo's substantial share of domestic traffic, alternative options on competing carriers may be limited or more expensive, especially on routes where IndiGo is the primary or only operator with significant frequency. In this sense, IndiGo's operational fragility directly affects consumer welfare, not only through service quality but also through the constrained ability of passengers to switch to rivals in the face of disruption. The key question is whether the crisis and the way it was handled reflect normal business difficulties in a capital-intensive, high-fixed-cost industry, or whether they form part of a pattern of exclusionary or exploitative conduct. Operational failures can harm consumers but are not automatically competition-law violations unless they are deliberate, strategic, or exclusionary.

But were they actually?

IndiGo's OTP



VII. INSIDER TESTIMONY AND OPERATIONAL GOVERNANCE FAILURES'

The interview and open letter written by an Indigo employee provide direct evidence that the airline's operational crisis was not sudden but structurally rooted. The employee explicitly states, *"Indigo didn't collapse in a day. This downfall was years in the making,"* indicating that the disruptions were foreseeable. This establishes a timeline of internal deterioration rather than an isolated failure.

A key evidentiary theme is the systematic ignoring of safety warnings. According to the interview, pilots repeatedly raised concerns over fatigue, unsafe duty hours, and intense rostering. Instead of corrective measures, management allegedly used intimidation: *"Pilots raised concerns about fatigue and unsafe duty timings... some were called to the head office, shouted at, and humiliated."* This suggests prior knowledge of operational risk within management, strengthening claims of negligence.

The interview further highlights chronic understaffing and cost compression. Ground staff reportedly handled workloads meant for multiple employees, while compensation and rest periods remained unchanged. The statement, *"When night duties were doubled and leaves were taken away, not a single extra rupee was added,"* supports the argument that efficiency and expansion were prioritised over workforce sustainability.

However, in a series of statements issued over the past few days, IndiGo attributed the large-scale delays and cancellations to a combination of factors. The airline cited minor technology glitches, winter schedule adjustments, adverse weather conditions, rising congestion within the aviation system, and the implementation of updated crew rostering rules under the FDTL framework. IndiGo argued that these factors had a compounding effect on operations and claimed that the scale of disruption was not reasonably foreseeable.

There are also allegations of strategic overexpansion to suppress competition, with the employee noting aggressive capacity deployment on rival routes. This implies that market dominance was pursued even when internal systems were stretched thin, worsening fragility.

This evidence is directly relevant to the paper because it provides primary, insider testimony linking

operational collapse to deliberate management choices. It strengthens the argument that Indigo's market position amplified the impact of these failures, helping the paper assess consumer welfare loss, systemic risk, and the broader implications of concentration in the aviation sector through the case of Indigo. This further highlights the section 4 of the Competition Act 2002, abuse of dominance
 FLIGHT DELAYS AND CANCELLATION
 INTERVIEW OF CAPTAIN SAM THOMAS
 OPEN LETTER FROM A PILOT

VIII. POLICY IMPLICATIONS

Given the severity of disruptions in the aviation sector, several policies are needed to protect passengers and ensure smooth operations. The government has introduced measures to improve safety, enforce pilot duty regulations, enhance consumer protection, and monitor airline competition. However, gaps in enforcement remain, showing the need for stronger policies to prevent crises like the Indigo flight cancellations.

MINIMUM CREW AND MANPOWER STANDARDS PER AIRCRAFT

Policy:

Mandate a minimum number of cockpit and cabin crew per aircraft and reserve staff for operational flexibility.

Government Action:

DGCA issues guidelines on crew-to-aircraft ratios, but enforcement and reserve crew requirements can be strengthened.

FATIGUE AND FLIGHT DUTY TIME REGULATIONS (FDTL)

Policy:

Strictly enforce pilot fatigue limits, weekly rest periods, and maximum consecutive night duties to ensure safety and operational reliability.

Government Action:

DGCA introduced updated FDTL rules in 2023–24, but compliance monitoring was weak during the Indigo crisis.

CONSUMER COMPENSATION AND TRANSPARENCY RULES

Policy:

Airlines must provide timely notifications of cancellations, clear refund policies, and compensation for delays or denied boarding.

Government Action:

DGCA's passenger rights regulations exist, but gaps remain in enforcement for mass disruptions caused by operational failures.

WORKFORCE STANDARDS

Policy objective:

Promote sustainable working conditions by ensuring minimum wages, adequate staffing levels, and fair rostering practices for ground staff, cabin crew and other frontline employees.

Reform need:

Introducing or strengthening clear baseline labour standards for aviation staff, and linking regulatory approvals to adherence with these standards, could reduce the risk that cost-cutting on labour triggers large-scale operational breakdowns.

OPERATIONAL AUDITS

Policy objective:

Verify that airlines consistently comply with safety, staffing and operational requirements, rather than merely on paper.

Reform need:

Independent, periodic operational audits, covering crew planning, rostering, reserve capacity, maintenance and contingency planning should be mandated for carriers above a certain market share or traffic threshold. Audit findings should inform targeted remedial directions by the DGCA and, where relevant, the Competition Commission of India (CCI) when systemic under-provision of capacity or staffing risks harming consumer welfare

IX. CONCLUSION

The Indigo operational crisis highlights the risks of market concentration, inadequate planning, and ignored internal warnings. While government measures on safety, pilot duty regulations, and

consumer protection are steps in the right direction, gaps remain in contingency planning, monitoring market dominance, workforce standards, and operational audits. Evidence from employee letters and interviews shows that failures were foreseeable and amplified by the airline's dominant position, directly affecting consumer welfare. This paper has shown that such a position, while not inherently unlawful, demands closer scrutiny under the Competition Act, 2002. High and persistent market shares, concentrated control over key routes, and episodes of large-scale disruption raise legitimate concerns about the long-term impact on fares, service quality, and passenger rights.

The analysis suggests that the challenge is not to punish IndiGo for its success, but to ensure that this success remains grounded in efficiency rather than in the exploitation of market power. This requires proactive, coordinated oversight by the Competition Commission of India and the DGCA, stronger enforcement of existing safety, staffing and consumer protection rules, and clearer policy frameworks for managing systemic disruptions. Safeguarding competition and resilience in the aviation sector is ultimately essential to protecting consumer welfare and ensuring that dominance in the skies does not translate into distortion on the ground.

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